

# Senate File 443

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1 4 AN ACT  
1 5 RELATING TO CRITERIA FOR COMMUNITY=BASED SEED CAPITAL  
1 6 FUNDS AND PROVIDING RETROACTIVE APPLICABILITY DATES.  
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1 8 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:  
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1 10 Section 1. Section 15E.42, subsection 3, Code Supplement  
1 11 2003, is amended to read as follows:  
1 12 3. "Investor" means an individual a person making a cash  
1 13 investment in a qualifying business or an individual taxed on  
1 14 income from a revocable trust's cash investment in a  
1 15 qualifying business or a person making a cash investment in a  
1 16 community-based seed capital fund. "Investor" does not  
1 17 include a person which is a current or previous that holds at  
1 18 least a seventy percent ownership interest as an owner,  
1 19 member, or shareholder in a qualifying business.  
1 20 Sec. 2. Section 15E.43, subsection 1, paragraphs a and b,  
1 21 Code Supplement 2003, are amended to read as follows:  
1 22 a. ~~For tax years beginning on or after January 1, 2002, a~~  
1 23 ~~tax credit shall be allowed against the taxes imposed in~~  
1 24 ~~chapter 422, division II, for a portion of an individual~~  
1 25 ~~taxpayer's equity investment, as provided in subsection 2, in~~  
1 26 ~~a qualifying business. An individual shall not claim a tax~~  
1 27 ~~credit under this paragraph of a partnership, limited~~  
1 28 ~~liability company, S corporation, estate, or trust electing to~~  
1 29 ~~have income taxed directly to the individual. However, an~~  
1 30 ~~individual receiving income from a revocable trust's~~  
1 31 ~~investment in a qualified business may claim a tax credit~~  
1 32 ~~under this paragraph against the taxes imposed in chapter 422,~~  
1 33 ~~division II, for a portion of the revocable trust's equity~~  
1 34 ~~investment, as provided in subsection 2, in a qualified~~  
1 35 ~~business.~~  
2 1 b. For tax years beginning on or after January 1, 2002, a  
2 2 tax credit shall be allowed against the taxes imposed in  
2 3 chapter 422, divisions II, III, and V, and in chapter 432, and  
2 4 against the moneys and credits tax imposed in section 533.24,  
2 5 for a portion of a taxpayer's equity investment, as provided  
2 6 in subsection 2, in a qualifying business or a community-based  
2 7 seed capital fund. An individual may claim a tax credit under  
2 8 this paragraph of a partnership, limited liability company, S  
2 9 corporation, estate, or trust electing to have income taxed  
2 10 directly to the individual. The amount claimed by the  
2 11 individual shall be based upon the pro rata share of the  
2 12 individual's earnings from the partnership, limited liability  
2 13 company, S corporation, estate, or trust.  
2 14 Sec. 3. Section 15E.44, subsection 4, Code Supplement  
2 15 2003, is amended to read as follows:  
2 16 4. After verifying the eligibility of a qualifying  
2 17 business, the board shall issue a tax credit certificate to be  
2 18 attached to the equity investor's tax return. The tax credit  
2 19 certificate shall contain the taxpayer's name, address, tax  
2 20 identification number, the amount of credit, the name of the  
2 21 qualifying business, and other information required by the  
2 22 department of revenue. The tax credit certificate, unless  
2 23 rescinded by the board, shall be accepted by the department of  
2 24 revenue as payment for taxes imposed pursuant to chapter 422,  
2 25 division divisions II, III, and V, and in chapter 432, and for  
2 26 the moneys and credits tax imposed in section 533.24, subject  
2 27 to any conditions or restrictions placed by the board upon the  
2 28 face of the tax credit certificate and subject to the  
2 29 limitations of section 15E.43.  
2 30 Sec. 4. Section 15E.51, subsection 4, Code Supplement  
2 31 2003, is amended to read as follows:  
2 32 4. A taxpayer shall not claim a tax credit under this  
2 33 section if the taxpayer is a venture capital investment fund  
2 34 allocation manager for the Iowa fund of funds created in  
2 35 section 15E.65 or an investor that receives a tax credit for  
3 1 the same investment in a qualifying business as described in  
3 2 section 15E.44 or in a community-based seed capital fund as  
3 3 described in section 15E.45.  
3 4 Sec. 5. Section 15E.45, subsection 2, paragraphs b and c,  
3 5 Code Supplement 2003, are amended to read as follows:  
3 6 b. The fund has, on or after January 1, 2002, a total of

3 6 both capital commitments from investors and investments in  
3 7 qualifying businesses of at least ~~five~~ one hundred ~~twenty=~~five  
3 8 thousand dollars, but not more than three million dollars.  
3 9 However, if a fund is a rural business investment company  
3 10 under the rural business investment program of the federal  
3 11 Farm Security and Rural Investment Act of 2002, Pub. L. No.  
3 12 107=171, the fund may qualify notwithstanding having capital  
3 13 in excess of the limits set forth in this paragraph as long as  
3 14 the fund otherwise meets the requirements of this subsection.

3 15 c. The fund has no fewer than ~~ten~~ five investors who are  
3 16 not affiliates, with no single investor and affiliates of that  
3 17 investor together owning a total of more than twenty=five  
3 18 percent of the ownership interests outstanding in the fund.

3 19 Sec. 6. Section 15E.45, subsection 6, Code Supplement  
3 20 2003, is amended to read as follows:

3 21 6. In the event that a community=based seed capital fund  
3 22 fails to meet or maintain any requirement set forth in this  
3 23 section, or in the event that the community=based seed capital  
3 24 fund has not invested at least thirty=three percent of its  
3 25 invested capital in ~~no fewer than two~~ one or more separate  
3 26 qualifying businesses, measured at the end of the thirty=sixth  
3 27 month after commencing the fund's investing activities, the  
3 28 board shall rescind any tax credit certificates issued to  
3 29 limited partners or members and shall notify the department of  
3 30 revenue that it has done so, and the tax credit certificates  
3 31 shall be null and void. However, a community=based seed  
3 32 capital fund may apply to the board for a one=year waiver of  
3 33 the requirements of this subsection.

3 34 Sec. 7. APPLICABILITY DATES.

3 35 1. Sections 1 through 4 of this Act apply retroactively to  
4 1 January 1, 2004, for tax years beginning on or after that  
4 2 date.

4 3 2. Sections 5 and 6 of this Act apply retroactively to  
4 4 January 1, 2002, for tax years beginning on or after that  
4 5 date.

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4 10 JEFFREY M. LAMBERTI  
4 11 President of the Senate  
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4 15 CHRISTOPHER C. RANTS  
4 16 Speaker of the House

4 17 I hereby certify that this bill originated in the Senate and  
4 18 is known as Senate File 443, Eightieth General Assembly.

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4 22 \_\_\_\_\_  
4 23 MICHAEL E. MARSHALL  
4 24 Secretary of the Senate

4 25 Approved \_\_\_\_\_, 2004

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4 29 THOMAS J. VILSACK  
Governor